

Responsible Student Loan Solutions Act of 2013

The federal government provides subsidized student loans to increase the number of Americans who can attain college degrees -- not to generate revenue. Instead of setting a numerical rate in law, the Responsible Student Loan Solutions Act will set interest rates based on the actual costs of operating the student loan programs.

The Responsible Student Loan Solutions Act will help strengthen the economy, protect taxpayers, and ease the burden of student debt on families by:

Offering adjustable rate loans for student and parents with a cap on the maximum interest rate that could be charged to protect borrowers during periods of high interest rates. Interest rates for need-based, subsidized loans will be capped at 6.8 percent. Rates for unsubsidized and parent loans will be capped at 8.25 percent.

Setting the annual rate based on the 91-day Treasury bill, plus a percentage determined by the Secretary of Education to cover program administration and borrower benefits. The Secretary must set the rate so that the student loan programs are revenue neutral.

Correcting an inequity for undergraduate students who qualify for subsidized loans. Currently, a dependent undergraduate student can borrow up to \$31,000 total. However, the maximum amount that can be subsidized is \$23,000, which means that needy students often have to resort to more expensive unsubsidized loans to finance a part or the remainder of their education costs. The bill allows borrowers with financial need to have up to the full loan limit in the lower cost program.

Allowing borrowers who are stuck with high fixed-rate federal student loans to refinance those loans into the new variable rate loan with a cap. Unsubsidized loans currently carry at 6.8 percent fixed rate. PLUS loans made under the old bank-based program carry a rate fixed of 8.5 percent. PLUS loans made through the Federal Direct Loan program carry a fixed rate of 7.9 percent.